

Appendix A - Submissions

1. Parliamentary Budget Office
- 1.1 Parliamentary Budget Office
2. Grattan Institute
3. Professor Miranda Stewart, Australian Tax and Transfer Policy Institute
4. Senator Christine Milne, Leader of the Australian Greens
5. Ms Penny Allman-Payne, Australian Greens
6. Department of Finance
7. Mathew Jensen, Centre for Policy Development



Appendix B - Public Hearings

Canberra, 28 August 2014

Parliamentary Budget Office

Mr Phil Bowen, Parliamentary Budget Officer

Mr Colin Brown, First Assistant Parliamentary Budget Officer, Budget Analysis Division

Mr Tim Pyne, First Assistant Parliamentary Budget Officer, Fiscal Policy Analysis Division

Mr Tony McDonald, Assistant Parliamentary Budget Officer, Revenue Analysis Branch

Ms Karen Williams, Assistant Parliamentary Budget Officer, Corporate Strategy Branch

Mr Gareth Tunks, Assistant Parliamentary Budget Officer, Program Analysis Branch

Australian National Audit Office

Mr Ian McPhee, Auditor-General

Mr Tom Clarke, Executive Director, Performance Auditor Services Group

Ms Alison Roach, Senior Director, Performance Audit Services Group

Professor Miranda Stewart



Appendix C - OECD Principles for Independent Fiscal Institutions

PRINCIPLES FOR INDEPENDENT FISCAL INSTITUTIONS (IFIs)

The twenty-two Principles for Independent Fiscal Institutions (fiscal councils and independent parliamentary budget offices) proposed below are grouped under nine broad headings: (1) local ownership; (2) independence and non-partisanship; (3) mandate; (4) resources; (5) relationship with the legislature; (6) access to information; (7) transparency; (8) communication; and (9) external evaluation.

1. Local ownership

- 1.1 To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum. While a country seeking to establish an IFI will benefit from the study of existing models and experiences in other countries, models from abroad should not be artificially copied or imposed. Regional or international authorities may provide valuable support and protection.
- 1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI. Design choices may also have to take into account capacity constraints, particularly in smaller countries[1]. The basic characteristics of an IFI, including specific protections, should be informed by the country's legal framework, political system, and culture. Its functions should be determined by the country's fiscal framework and specific issues that need to be addressed.

2. Independence and non-partisanship

- 2.1 Non-partisanship[2] and independence are pre-requisites for a successful IFI. A truly non-partisan body does not present its analysis from a political perspective; it always strives to demonstrate objectivity and professional excellence, and serves all parties. This favours that IFIs should be precluded

from any normative policy-making responsibilities to avoid even the perception of partisanship.

- 2.2 The leadership[3] of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit – including professional standing and relevant government or academic experience. Qualifications should include proven competence in economics and public finances and familiarity with the budget process.
- 2.3 Term lengths and the number of terms that the leadership of the IFI may serve should be clearly specified in legislation as should be the criteria and process for dismissal for cause. The leadership's term should optimally be independent of the electoral cycle. Independence may be enhanced by defining the term span beyond the electoral cycle.
- 2.4 The position of head of the IFI should be a remunerated and preferably full-time position[4]. Strict conflict-of-interest standards, particularly for institutions with council members employed on a part-time basis, should be applied equally vis-à-vis other employment in the public or private sector.
- 2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.
- 2.6 Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be along the lines of that of the civil (or parliamentary) service[5].

3. Mandate

- 3.1 The mandate of IFIs should be clearly defined in higher-level legislation, including the general types of reports and analysis they are to produce, who may request reports and analysis, and, if appropriate, associated timelines for their release.
- 3.2 IFIs should have the scope to produce reports and analysis at their own initiative, provided that these are consistent with their mandate. Similarly, they should have the autonomy to determine their own work programme within the bounds of their mandate.
- 3.3 Clear links to the budget process should be established within the mandate. Typical tasks carried out by IFIs might include (but are not limited to): economic and fiscal projections (with a short- to medium-term horizon, or long-term scenarios); baseline projections (assuming unchanged policies); analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues[6].

4. Resources

- 4.1 The resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. This includes the resources for remuneration of all staff and, where applicable, council members. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence. Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.

5. Relationship with the legislature

- 5.1 Legislatures perform critical accountability functions in country budget processes and the budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work. Regardless whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): (1) submission of IFI reports to parliament in time to contribute to relevant legislative debate; (2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; (3) parliamentary scrutiny of the IFI budget; and (4) a role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals.
- 5.2 The role of the IFI vis-à-vis parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Preferably, the IFI should consider requests from committees and sub-committees rather than individual members or political parties. This is particularly relevant for those IFIs established under the jurisdiction of the legislature.

6. Access to information

- 6.1 There is often asymmetry of information between the government and the IFI - no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation - and if necessary to reaffirm through protocols or memoranda of understanding - that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost or, if appropriate, sufficient resources should be provided in the IFI budget to cover analysis obtained through government actuarial services.
- 6.2 Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place^[7] as

regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defence and security.

7. Transparency

- 7.1 Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public.
- 7.2 IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all. As noted in 5.1, all IFI reports and analysis should be sent to parliament in time for legislative debate[8] and the leadership of the IFI should be given the opportunity to testify before parliamentary committees.
- 7.3 The release dates of major reports and analysis should be formally established, especially in order to co-ordinate them with the release of relevant government reports and analysis[9].
- 7.4 IFIs should release their reports and analysis, on matters relating to their core on-going mandate on economic and fiscal issues, in their own name.

8. Communications

- 8.1 IFIs should develop effective communication channels from the outset, especially with the media, civil society, and other stakeholders. Given that the influence of IFIs in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters.

9. External evaluation

- 9.1 IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country.

Relevant body: Public Governance Committee

[1] Several countries (e.g. Ireland, Portugal, and Sweden) allow for non-nationals to serve as council members, thus increasing the pool of qualified candidates and reducing the risk of “groupthink”. As such, this design choice may also serve to bolster independence.

[2] Non-partisanship should not be confused with bi-partisanship. Whereas bi-partisanship suggests a balance between political parties, non-partisanship necessitates an absence of political influence.

[3] The title may differ – director, president, or chair – depending on its design. The institution may be under individual or collective (council) leadership.

[4] There are exceptional cases in which a part-time position may be considered sufficient, for example if the IFI has a strictly defined and limited work programme or if another institution provides complementary functions which impact on the workload of the IFI. In Sweden, the Fiscal Policy Council can use the macro-fiscal forecasts prepared by another well-established independent agency, the National Institute of Economic Research.

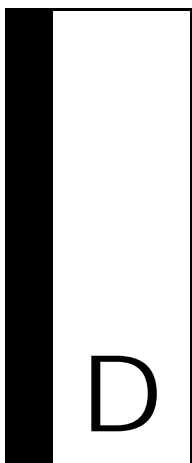
[5] Given the small size of the majority of IFIs, staff may be provided with career mobility within the broader civil service. However, care should be taken to avoid conflict of interest.

[6] Other functions are carried out by well-established IFIs, such as costing of election platforms by the Netherlands Bureau for Economic Policy Analysis, or programme evaluation by the Korean National Assembly Budget Office.

[7] For example, security clearance for IFI staff.

[8] There may be cases where an IFI provides confidential estimates as part of the legislative process. For example, the U.S. Congressional Budget Office provides estimates early in the legislative process – kept confidential only until the legislative proposal becomes public – in order to help craft legislative proposals.

[9] Care must be taken to avoid the perception that the timing of the release of the IFI reports favours the government or the opposition parties.



Appendix D - IMF fiscal council dataset

IMF fiscal council dataset

Country	Fiscal council	Long term sustainability	Forecast preparation or assessment	Monitoring of fiscal rules	Costing of measures	Legal/operational independence	Access to information ¹
Australia	Parliamentary Budget Office	Yes	No	No	Yes	Yes	Yes ²
Austria	Government Debt Committee	Yes	No	Yes	No	Yes	Yes
Belgium	High Council of Finance	Yes	No	Yes	No	Yes	Yes
Belgium	Federal Planning Bureau	Yes	Yes	No	No	Yes	Yes
Canada	Parliamentary Budget Office	Yes	Yes	No	Yes	Yes	Yes
Croatia	Fiscal Policy Council	Yes	Yes	Yes	No	Yes	N/A
Denmark	Danish Economic Council	Yes	Yes	Yes	No	Yes	Yes
Finland	National Audit Office of Finland	Yes	Yes	Yes	No	Yes	Yes
France	High Council of Public Finance	No	Yes	Yes	No	Yes	Yes
Georgia	Parliamentary Budget Office	No	Yes	No	No	No	Yes
Germany	German Council of Economic Experts	Yes	Yes	No	No	Yes	Yes
Hungary	Fiscal Council	No	Yes	Yes	No	Yes	Yes
Ireland	Irish Fiscal Advisory Council	Yes	Yes	Yes	Yes	Yes	Yes
Italy	Parliamentary Budget Office	Yes	Yes	Yes	Yes	Yes	Yes

¹ The IMF defines access to information as a “legal obligation to share information essential for the fiscal council’s activity”.

² Agencies are required to comply with the information requests in relation to either a costing in the caretaker period or for the preparation of the post-election report on election commitments on a timely basis unless doing so is not practicable, unlawful, or would disclose information that was commercially confidential or could prejudice national security.

Country	Fiscal council	Long term sustainability	Forecast preparation or assessment	Monitoring of fiscal rules	Costing of measures	Legal/operational independence	Access to information
Japan	Fiscal System Council	No	No	No	No	No	Yes
Kenya	Parliamentary Budget Office	N/A	Yes	N/A	N/A	N/A	Yes
Mexico	Center for Public Finance Studies	No	Yes	No	Yes	No	Yes
Netherlands	Netherlands Bureau for Economic Policy Analysis	Yes	Yes	Yes	Yes	Yes	Yes
Portugal	Portuguese Public Finance Council	Yes	Yes	Yes	No	Yes	Yes
Romania	Fiscal Council	Yes	Yes	Yes	Yes	Yes	Yes
Serbia	Fiscal Council	Yes	Yes	Yes	Yes	Yes	Yes
Slovak Republic	Council for Budget Responsibility	Yes	No	Yes	Yes	Yes	Yes
Slovenia	Institute of Macroeconomic Analysis & Development	Yes	Yes	No	No	Yes	Yes
Slovenia	Fiscal Council	Yes	No	Yes	No	Yes	Yes
South Africa	Parliamentary Budget Office	N/A	No	No	Yes	N/A	Yes
South Korea	National Assembly Budget Office	Yes	Yes	No	Yes	Yes	Yes
Sweden	Swedish Fiscal Policy Council	Yes	No	Yes	No	Yes	Yes
United Kingdom	Office for Budget Responsibility	Yes	Yes	Yes	Yes	Yes	Yes
United States	Congressional Budget Office	Yes	Yes	No	Yes	Yes	Yes

Source: IMF Fiscal Dataset, Debrun et al, 2013, Debrun and Kinda (2014); PBO.